PERFECT GROUP
保發集團

PERFECT GROUP INTERNATIONAL HOLDINGS LIMITED
保發集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3326)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Perfect Group International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 together with comparative figures for the previous year as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2018

	NOTES	**2018** *HK$'000*	2017 *HK$'000*
Revenue	2	**522,005**	352,043
Cost of goods sold		**(354,020)**	(241,859)
Gross profit		**167,985**	110,184
Other income		**2,616**	1,263
Other gains and losses		**(1,360)**	965
Selling and distribution costs		**(14,905)**	(15,380)
General and administrative expenses		**(48,781)**	(42,235)
Finance costs		**(3,753)**	(1,005)
Profit before taxation	3	**101,802**	53,792
Taxation	4	**(30,230)**	(5,717)
Profit for the year		**71,572**	48,075

	NOTE	2018 HK$'000	2017 HK$'000
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment upon transfer to investment properties			
– Surplus on revaluation		**3,601**	–
– Deferred taxation		**(900)**	–
		2,701	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(15,427)**	10,902
Other comprehensive (expense) income for the year		**(12,726)**	10,902
Total comprehensive income for the year		**58,846**	58,977
Profit (loss) for the year attributable to:			
Owners of the Company		**55,270**	48,843
Non-controlling interests		**16,302**	(768)
		71,572	48,075
Total comprehensive income for the year attributable to:			
Owners of the Company		**46,074**	56,630
Non-controlling interests		**12,772**	2,347
		58,846	58,977
Earnings per share	6		
– Basic		**4.09 HK cents**	3.62 HK cents
– Diluted		**4.04 HK cents**	3.58 HK cents

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment		**131,073**	28,984
Prepaid lease payments		**14,863**	16,890
Investment properties		**9,563**	–
Deposits		**44**	4,121
Deferred tax assets		**285**	–
		155,828	49,995
Current assets			
Inventories		**167,033**	179,956
Properties under development for sale		**257,369**	186,397
Properties held for sale		**121,974**	–
Trade and other receivables	7	**143,386**	110,627
Prepaid lease payments		**316**	351
Bank balances and cash		**218,114**	59,476
		908,192	536,807
Current liabilities			
Trade and other payables	8	**110,067**	29,139
Contract liabilities		**214,273**	–
Taxation payable		**22,482**	9,875
Bank loans – amount due within one year		**16,735**	25,580
		363,557	64,594
Net current assets		**544,635**	472,213
Total assets less current liabilities		**700,463**	522,208
Non-current liabilities			
Provision for long service payments		**986**	1,177
Deferred tax liabilities		**866**	83
Bank loans – amount due after one year		**140,276**	–
		142,128	1,260
Net assets		**558,335**	520,948
Share capital and reserves			
Share capital	9	**4,500**	4,500
Reserves		**468,760**	444,314
Equity attributable to owners of the Company		**473,260**	448,814
Non-controlling interests		**85,075**	72,134
		558,335	520,948

NOTES:

1. BASIS OF PREPARATION AND APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (the "HKFRSs")

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") and by the Hong Kong Companies Ordinance (the "**CO**").

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to Hong Kong Accounting Standards ("HKAS") 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

1.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- manufacturing and sales of jewellery products
- property development

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	HK$'000	*HK$'000*	***HK$'000***
Current liabilities			
Trade and other payables	29,139	(454)	**28,685**
Contract liabilities	–	454	**454**

As at 1 January 2018, advances from customers of HK$454,000 in respect of sales contracts signed with customers previously included in trade and other payables were reclassified to contract liabilities.

The directors of the Company consider the application of HKFRS 15 has no material impact on the timing and amounts of revenue recognised in the respective reporting periods.

1.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

Below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current year, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of other receivables and bank balances, and are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$148,000 has been recognised against retained profits. The additional loss allowance is charged against the trade receivables.

All loss allowances for trade receivables as at 31 December 2017 reconcile to the opening balances of trade receivables as at 1 January 2018 is as follows:

	Trade receivables *HK$'000*
At 31 December 2017 (audited) - HKAS 39	88,204
Amounts remeasured through opening retained profits	(148)
At 1 January 2018 (unaudited)	88,056

1.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 December 2017	HKFRS 15	HKFRS 9	1 January 2018
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
	(Audited)			**(Restated)**
Contract liabilities	–	(454)	–	**(454)**
Trade and other receivables	110,627	–	(148)	**110,479**
Trade and other payables	(29,139)	454	–	**(28,685)**
Retained profits	(340,879)	–	148	**(340,731)**

New and amendments to HKFRSs in issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at costs and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as operating cash flows, respectively.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$15,700,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$44,000 and refundable rental deposits received of HK$112,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivable for the sales of fine jewellery products net of discounts and return and sales of properties during both years.

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on the revenues and profits from different types of business divisions.

The Group's operating and reportable segments under HKFRS 8 are as follows:

(i) Manufacturing and sales of jewellery products business represents manufacturing and sales of jewellery products including rings, earrings, pendants, bangles, necklaces and bracelets ("**Manufacturing and sales of jewellery products**").

(ii) Property development business represents the development and sales of properties for the Group's integrated and comprehensive industry park project ("**Property development**").

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2018

	Manufacturing and sales of jewellery products *HK$'000*	**Property development** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue			
External sales	**314,306**	**207,699**	**522,005**
Segment results	**35,408**	**82,545**	**117,953**
Unallocated corporate income			**141**
Unallocated corporate expenses			**(15,248)**
Finance costs			**(1,044)**
Profit before taxation			**101,802**

For the year ended 31 December 2017

	Manufacturing and sales of jewellery products *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	**352,043**	**–**	**352,043**
Segment results	**70,075**	**(2,561)**	**67,514**
Unallocated corporate income			**146**
Unallocated corporate expenses			**(12,863)**
Finance costs			**(1,005)**
Profit before taxation			**53,792**

Segment result represents the profit earned or loss incurred by each segment and hence is arrived at without allocation of certain income and expenses (including other income, general and administrative expenses and finance costs). This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance.

(b) Segment assets and liabilities

The following is an analysis of the Group's segment assets and segment liabilities by operating and reportable segment:

At 31 December 2018

	Manufacturing and sales of jewellery products *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
Assets			
Segment assets	**315,859**	**735,282**	**1,051,141**
Deferred tax assets			**285**
Unallocated corporate assets			**12,594**
Consolidated assets			**1,064,020**
Liabilities			
Segment liabilities	**35,683**	**446,057**	**481,740**
Taxation payable			**22,482**
Deferred tax liabilities			**866**
Unallocated corporate liabilities			**597**
Consolidated liabilities			**505,685**

At 31 December 2017

	Manufacturing and sales of jewellery products *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
Assets			
Segment assets	319,767	245,435	565,202
Unallocated corporate assets			21,600
Consolidated assets			586,802
Liabilities			
Segment liabilities	49,563	5,441	55,004
Taxation payable			9,875
Deferred tax liabilities			83
Unallocated corporate liabilities			892
Consolidated liabilities			65,854

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to operating segments other than deferred tax assets and unallocated corporate assets.

– all liabilities are allocated to operating segments other than taxation payable, deferred tax liabilities and unallocated corporate liabilities.

Manufacturing and sales of jewellery products (revenue recognised at a point in time)

For manufacturing and sales of jewellery products to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (upon delivery of goods).

Property development (revenue recognised at a point in time)

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are not based on customer's specifications. Revenue from property developments is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

Geographical information

Revenue from external customers, based on location of delivery to customers is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
– Hong Kong	**208,743**	208,591
– Dubai	**103,837**	142,348
– People's Republic of China ("**PRC**")	**209,425**	1,104
	522,005	352,043

No individual customer contributes revenue which accounted for more than 10% of the Group's total revenue during both years.

An analysis of the Group's non-current assets (other than deferred tax assets) by their physical geographical location is as follows:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**1,280**	2,803
PRC	**153,943**	46,713
Dubai	**320**	479
	155,543	49,995

3. PROFIT BEFORE TAXATION

	2018	2017
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation		
– cost of goods sold	**537**	953
– general and administrative expenses	**1,730**	1,697
– selling and distribution costs	**15**	–
Total depreciation	**2,282**	2,650
Directors' remuneration		
– fees	**636**	924
– salaries and other benefits	**6,500**	6,500
– equity-settled share option expense	**1,049**	1,152
– retirement benefit scheme contributions	**54**	54
	8,239	8,630
Other staff's salaries and other benefits *(note)*	**22,008**	13,262
Other staff's equity-settled share option expense	**4,471**	5,092
Other staff's retirement benefits scheme contributions	**2,382**	2,580
Total staff costs	**37,100**	29,564
Auditor's remuneration	**1,800**	1,800
Cost of inventories recognised as expenses (included in cost of goods sold)	**354,020**	258,175
Operating lease rentals in respect of rented premises and property, plant and equipment	**7,304**	6,349
Release of prepaid lease payments	**286**	–

Note: During the year ended 31 December 2017, provision on staff benefits for previous years included in accruals and other payables amounting to approximately Renminbi ("RMB") 14,548,000 (equivalent to approximately HK$16,316,000) has been reversed as the directors of the Company considered that crystallisation of such provision as a liability was remote.

4. TAXATION

	2018	2017
	HK$'000	*HK$'000*
The taxation charge comprises:		
Hong Kong Profits Tax		
– Current year	**2,008**	4,478
PRC Enterprise Income Tax ("EIT")		
– Current year	**17,250**	468
PRC Land Appreciation Tax ("LAT")	**11,340**	–
	30,598	4,946
Deferred tax (credit) charge	**(368)**	771
	30,230	5,717

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting form the current year, the Hong Kong profits tax is calculated of 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

The Group is engaged in manufacturing of fine jewellery products through processing factories in the PRC under contract processing arrangement. Accordingly, under such 50:50 onshore/offshore arrangement between the Group and the processing factories, certain profits of the Group are not taxable under Hong Kong Profits Tax during both years. In addition, the processing factories of the Group is subject to PRC EIT at a rate of 25% on the deemed profit generated in PRC.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been levied at progressive rates ranging from 30% to 60% on the appreciation of land value, represented by the excess of sales proceeds of properties over prescribed direct costs. Prescribed direct costs are defined to include costs of land, development and construction costs, as well as certain costs relating to the property development. According to the State Administration of Taxation's official circulars, LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development.

5. DIVIDEND

For the year ended 31 December 2017, the directors of the Company resolved to declare an interim dividend of HK$13,500,000 and was paid on 21 September 2017 to the shareholders of the Company whose names appeared on the register of members of the Company on 8 September 2017.

A final dividend of HK$0.01 per share, totalling HK$13,500,000 for the year ended 31 December 2017 was paid on 20 June 2018 to the shareholders of the Company whose name appeared on the register of members of the Company on 8 June 2018.

The directors of the Company resolved to declare an interim dividend of HK$0.01 per share, totalling HK$13,500,000 for the six months ended 30 June 2018 and was paid on 21 September 2018 to the shareholders of the Company whose names appeared on the register of members of the Company on 7 September 2018.

The directors of the Company propose to declare a final dividend of HK$0.01 per share and special dividend of HK$0.02 per share, totalling HK$13,500,000 and HK$27,000,000 respectively, for the year ended 31 December 2018 payables on or around 18 June 2019 to the shareholders of the Company whose names appear on the register of members of the Company on 6 June 2019.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	**55,270**	48,843
	Numbers of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(note)*	**1,350,000**	1,350,000
Effect of dilutive potential ordinary shares: Share-based payments	**18,183**	14,979
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,368,183**	1,364,979

Note: Pursuant to a resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 12 September 2017, every one issued and unissued existing ordinary shares of HK$0.01 each in the share capital of the Company was subdivided into three subdivided shares of one-third Hong Kong cent each (the "**Share Subdivision**"). The Share Subdivision became effective on 13 September 2017.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been adjusted for the Share Subdivision on 13 September 2017.

7. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**106,725**	89,091
Less: Allowance for doubtful debts	**(1,858)**	(887)
	104,867	88,204
Other receivables, prepayments and deposits	**38,519**	22,423
	143,386	110,627

The following is an analysis of trade receivables by age, net of allowance for doubtful debts presented based on the invoice date, which approximates the respective revenue recognition dates.

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**41,983**	27,052
31 – 60 days	**16,252**	14,153
61 – 180 days	**36,692**	40,213
181 – 365 days	**7,986**	5,255
Over 1 year	**1,954**	1,531
	104,867	88,204

The Group allows a credit period of up to 120 days to its customers. A longer credit period may be granted to large or long established customers with good payment history.

Before accepting any new customers, the Group has an internal credit control system to assess the potential customers' credit quality and the Board has delegated the management to be responsible for the determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically. Approximately 50% (2017: 41%) of the trade receivables, that are neither past due nor impaired and they were assessed to be of good credit rating attributable under the credit control system used by the Group.

The Group's management takes into consideration of customers' credit history, settlement patterns, subsequent settlements, customers' financial position and an assessment of both the current and forecast general economic conditions and aging analysis of trade receivables in determining the recoverability of the overdue trade receivables. The directors of the Company considered that the consideration of credit risk is limited due to customer base being large and unrelated.

8. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**102,626**	15,202
Accruals and other payables	**7,441**	13,937
	110,067	29,139

Accruals and other payables mainly consisted of payable of staff salaries and benefits and provisions for certain construction obligation.

The following is an aged analysis of trade payables presented based on invoice date at the end of each year:

	2018	2017
	HK$'000	*HK$'000*
0 – 60 days	**98,154**	12,570
61 – 90 days	**1,802**	1,508
Over 90 days	**2,670**	1,124
	102,626	15,202

9. SHARE CAPITAL

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
3,000,000,000 ordinary shares of one third Hong Kong cent each (2017: 3,000,000,000 ordinary shares of one third Hong Kong cent each)	**10,000**	10,000
Issued and fully paid:		
1,350,000,000 ordinary shares of one third Hong Kong cent each (2017: 1,350,000,000 ordinary shares of one third Hong Kong cent each)	**4,500**	4,500

The movements in the Company's share capital for the years ended 31 December 2017 and 2018 were as follows:

	Number of ordinary shares	**Nominal value of ordinary shares**
		HK$'000
Authorised:		
At 1 January 2017	1,000,000,000	10,000
Effect of Share Subdivision *(note)*	2,000,000,000	–
At 31 December 2017, 1 January 2018 and 31 December 2018	3,000,000,000	10,000
Issued and fully paid:		
At 1 January 2017	450,000,000	4,500
Effect of Share Subdivision *(note)*	900,000,000	–
At 31 December 2017, 1 January 2018 and 31 December 2018	1,350,000,000	4,500

Note:

Pursuant to a resolution passed by the shareholders of the Company at the extraordinary general meeting held on 12 September 2017, every one issued and unissued existing ordinary share of HK$0.01 each in the share capital of the Company was subdivided into three subdivided shares of one third Hong Kong cent each. The Share Subdivision became effective on 13 September 2017. All shares issued rank pari passu with the then existing shares in issue in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

Business outlook and future prospects

The principal business of the Group is designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds) ("**Jewellery Business**") and the development and sales of properties for the Group's integrated and comprehensive industry park located at 1st Ring Road South Extension Foshan, Guangdong Province, the PRC ("**Property Development**") with the development plan to build an integrated and comprehensive industry park (the "**Perfect Group Jewellery Industry Park**").

Jewellery Business

In the first half of the year 2018, Jewellery Business has stabilized with a slight improvement compared with the corresponding period of last year. However, during the second half of the year 2018, the Group, although maintained a relatively stable sales in the Hong Kong region, suffered from the weak buying behavior of customers in the Dubai region. The Group considered that the drop in the sales in the Dubai region was mainly due to the challenges from macroeconomic issues such as uncertain oil prices, as well as trade tensions between US and the PRC and in other regions, and currency volatility in many emerging markets. In response to this economic climate, the Group has been looking for opportunities to explore or expand new markets, such as the cooperation with or joint investment with other business partners in the PRC.

Property Development

The construction work for the Perfect Group Jewellery Industry Park is progressing as scheduled. In January 2018, the Group held the topping-up ceremony for the Perfect Tower, the head-quarter of the Group in the PRC, inside the Perfect Group Jewellery Industry Park. The relocation process of the production facilities to Perfect Group Jewellery Park was completed in June 2018 as scheduled. The construction work for Perfect Expo, the exhibition building inside the Perfect Group Jewellery Industry Park, was also completed in 2018. The Group has held the 3rd Shunde International Jewellery and Gem fair in the Perfect Expo in November 2018 and received overwhelming response from customers and other business parties in this fair. In future, the Group intends to utilize the Perfect Expo as the sales and marketing channel of the Group's jewellery products and by way of further shows and exhibitions in the Perfect Expo to promote the sales of the jewellery products of the Group.

A significant portion of the Perfect Group Jewellery Industry Park has been completed. The Group received overwhelming response from the buyers and almost all of the factory units in Perfect Group Jewellery Industry Park which the Group intended for sale have been sold. In 2018, the Group has delivered part of the completed portion of Perfect Group Jewellery Industry Park to the buyers. The Group expects that almost all of construction work of the Perfect Group Jewellery Industry Park will be completed in 2019 and further sales and delivery of the completed units to buyers will be made in 2019. The leasing of certain part of the Perfect Group Jewellery Industry Park has started at the end of the year 2018. Approximately HK$0.03 million has been recorded during the year 2018 and the Group expects more rental income will be recorded as the development of Perfect Group Jewellery Industry Park has completed.

The Group has signed property management contracts with occupants and started providing management services to them. The Group expects this will generate stable income for the Group in the coming years.

Financial review

Overall Revenue

The Group's revenue for the year ended 31 December 2018 was approximately HK$522.0 million (2017: HK$352.0 million), representing an increase of approximately HK$170.0 million or 48.3% over the corresponding year of 2017. The increase in the Group's revenue was primarily due to the recognition of revenue from sale of properties in the PRC which was partly offset by the decrease in revenue from Jewelery Business during the year.

The revenue of Jewellery Business and Property Development business represents approximately 60.2% and 39.8% respectively of total revenue.

Jewellery Business

Revenue

The Group's revenue for Jewellery Business during the year ended 31 December 2018 was approximately HK$314.3 million (2017: HK$352.0 million), representing a decrease of approximately HK$37.7 million or 10.7% over the corresponding year of 2017. The decrease in the Group's revenue was primarily due to the decrease in sales of jewellery products in Dubai region in the second half of the year.

The sales to Hong Kong was maintained at approximately HK$208.7 million (2017: 208.6 million). However, the sales to Dubai region decreased from approximately HK$142.3 million to approximately HK$103.8 million, representing a decrease of approximately HK$38.5 million or 27.1%. The sales to the PRC, which was still on an exploring stage, was approximately HK$1.7 million (2017: HK$1.1 million), an increase of approximately HK$0.6 million or 54.5%.

Gross profit and gross profit margin

The gross profit decreased from approximately HK$110.2 million to HK$80.0 million, representing an decrease of approximately HK$30.2 million or 27.4% which is in line with the sales of Jewellery Business. The gross profit margin was approximately 25.5% which was at a similar level comparing with last year (2017: 26.7%).

Property Development

Revenue and Gross Profit

Revenue of approximately HK$207.7 million (2017: Nil) was recorded for the year for the Property Development. The revenue from Property Development was recognized at a point in time when the customer obtains control of the respective properties. The gross profits recognized for the year was approximately HK$88.0 million which was approximately 42.4%.

Overall Gross profit and gross profit margin

Overall gross profit increased from approximately HK$110.2 million to approximately HK$168.0 million, representing an increase of approximately HK$57.8 million or 52.5%. Included in the gross profit, approximately HK$80.0 million related to Jewellery business, representing an decrease of approximately HK$30.2 million or 27.4%, and approximately HK$88.0 million related to Property Development business.

Other income

Other income increased from approximately HK$1.3 million to HK$2.6 million, an increase of HK$1.3 million or 107.1%. The increase mainly comprised of scrap sales of approximately HK$0.3 million (2017: HK$0.7 million) and interest income of approximately HK$1.9 million (2017: HK$ 0.3 million) derived from the deposits placed with the banks.

Other gains and losses

Other gains and losses include the write-off of plant and equipment of approximately HK$0.9 million (2017: Nil) as a result of transfer of Dongguan factory to Perfect Group Jewellery Industry Park during the year and the impairment loss recognised on trade receivables amounting to approximately HK$0.8 million (2017: Reversal of allowances for doubtful debts of approximately HK$1.1 million).

Finance costs

Finance costs of approximately HK$3.8 million during the year related to interests on the bank loans for the operation of the jewellery manufacturing and on the construction of the property development.

Selling and distribution costs

The decrease in selling and distribution costs of approximately HK$15.4 million to approximately HK$14.9 million, representing a decrease of HK$0.5 million or 3.2% was mainly due to the decrease of delivery charges during the year.

General and administrative expenses

The increase in general and administrative expenses from approximately HK$42.2 million to approximately HK$48.8 million, representing an increase of approximately HK$6.6 million or 15.6% was mainly due to severance payment amounting to approximately HK$5.3 million. The severance payment was related to the transfer of Dongguan factory to Perfect Group Jewellery Industry Park during the year (2017: Nil).

Profit for the year

As a result of the above factors, profit for the year ended 31 December 2018 was approximately HK$71.6 million (2017: HK$48.1 million), representing an increase of approximately HK$23.5 million or approximately 48.9%.

Financial position

Non-current Assets

Among the HK$131.1 million (2017: HK$29.0 million) of property, plant and equipment, approximately HK$127.4 million (2017: HK$23.5 million) were construction in progress, approximately HK$2.3 million (2017: HK$3.7 million) was furniture and fixtures. The remaining balance of approximately HK$1.4 million (2017: HK$1.8 million) were plant and machinery and motor vehicles.

The Group has also changed the use of certain property of approximately HK$9.5 million (2017: Nil) to investment properties and leased them to independent third parties.

Prepaid lease payments were leasehold land in the PRC approximately HK$14.9 million (2017: HK$16.9 million) was classified as non-current assets and approximately HK$0.3 million (2017: HK$0.4 million) was classified as current assets.

Current assets

Current assets increased to approximately to HK$908.2 million (2017: HK$536.8 million). This was mainly due to increase in the Properties under development for sales and Properties held for sale of approximately HK$257.4 million (2017: HK$186.4 million) and approximately HK$122.0 million (2017: NIL) respectively. Inventory of approximately HK$167.0 million (2017: HK$180.0 million) mainly comprised of raw materials, work in progress and finished goods, similar to last year. Bank balances and cash also increased to approximately HK$218.1 million (2017: HK$59.5 million) because of money received from sales of properties in Perfect Group Jewellery Industry Park.

As at 31 December 2018, there was an increase in trade receivables mainly due to sales of properties in PRC.

Moreover, there was an increase in other receivables, prepayment and deposits from approximately HK$22.4 million to approximately HK$38.5 million. This was mainly due to increase in prepayment of VAT in relation to sale of properties in PRC from approximately HK$8.1 million to approximately HK$24.9 million.

Current Liabilities

Trade and other payables amounting to approximately HK$110.0 million (2017: HK$29.1 million) comprised of trade payable of approximately HK$102.6 million (2017: HK$15.2 million) and accrual and other payables of approximately HK$7.4 million (2017: HK$13.9 million). Accrual and other payables mainly consists of payable of staff salaries and benefits and provision for certain construction obligations. As at 31 December 2018, trade payables increased from approximately HK$15.2 million to approximately HK$102.6 million mainly due to the construction cost payables of approximately HK$79.0 million to contractors for the properties in Perfect Group Jewellery Industry Park.

The contract liabilities, which are the deposit received from the customers of properties in the PRC, amounted to approximately HK$214.3 million (2017 : NIL).

Liquidity and financial resources

As at 31 December 2018, the Group had current assets of approximately HK$908.2 million (2017: HK$536.8 million) and current liabilities amounted to approximately HK$363.6 million (2017: HK$64.6 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 2.5 as at 31 December 2018 (2017: 8.3).

Gearing ratio

Based on total borrowings divided by equity, the gearing ratio was approximately 28.1% (2017: 4.9%).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2018 (2017: Nil).

Charge on assets

There was charge on the Group's assets as at 31 December 2018 amounting to approximately HK$152.1 million (2017: Nil).

Capital commitments

Capital expenditure in respect of the property, plant and equipment and properties under development for sale contracted but not provided for in the consolidated financial statements amounted to approximately HK$380.9 million (2017: HK437.3 million).

Use of proceeds from the global offering

As at 31 December 2018, the Company had utilised approximately HK$73.8 million of net proceeds from the global offering. The revised allocation of the net proceeds and the utilisation of the net proceeds as at 31 December 2018 are set out below:

Uses	Revised allocation *HK$'000*	Utilisation as at 31 December 2018 *HK$'000*	Remaining balance *HK$'000*
Expanding the Middle East and European high-end markets	7,700	7,700	–
Upgrading the existing production facilities and hiring and training additional labour	1,839	1,839	–
Brand development	16,837	16,837	–
Enhancing the CRM system	3,597	878	2,719
Additional working capital and other general corporate purposes	2,220	2,220	–
Establishing the headquarter in the PRC and developing the PRC market	44,340	44,340	–
Total	**76,533**	**73,814**	**2,719**

Employee and remuneration policy

As at 31 December 2018, the Group had approximately 118 employees (2017: 267 employees) in Hong Kong and Mainland China. The total salaries and related costs for the year ended 31 December 2018 amounted to approximately HK$37.1 million (2017: HK$30.0 million after the reversal on staff benefits for previous years amounting to approximately HK$16.3 million).

The Group offered competitive remuneration package as an incentive to staff to improve the work performance. The Company has share option scheme in place as a means to encourage and reward the eligible employees' (including the Directors of the Company) contributions to the Group's performance and business development based on their individual performance. The employees' remuneration, promotion and salary are assessed by reference to their work performance, working experiences professional qualifications and the prevailing market practice.

Dividend

The Company has paid an interim dividend of HK$0.01 (2017: HK$0.01) per share on 21 September 2018 for the financial year ended 31 December 2018.

The Directors propose the payment of HK$0.01 (2017: HK$0.01) per share as the final dividend and HK$0.02 (2017: HK$Nil) as special dividend for the recognition of the profit on the Property Development business for the year ended 31 December 2018.

The proposed final dividend and proposed special dividend are subject to approval by the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company. A notice convening the annual general meeting of the Company and advising the book closure dates for the purpose of determining the Shareholders' rights to attend and vote at the annual general meeting will be published and despatched to Shareholders in due course.

Closure of register of members

In order to establish the identity of the Shareholders who are entitled to the proposed final dividend and special dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, no later than 4:00 p.m. on Monday, 3 June 2019. The register of members of the Company will be closed from Tuesday, 4 June 2019 to Thursday, 6 June 2019, both days inclusive, during which period no transfer of shares will be registered. Subject to the approval by the Shareholders on the proposed final dividend and special dividend at the annual general meeting to be held, the final dividend and special dividend will be paid on or around Tuesday, 18 June 2019 to the Shareholders whose names appear on the register of members of the Company on Thursday, 6 June 2019.

Code on corporate governance practices

The Company is committed to maintaining good standard of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and responsibility. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in the Appendix 14 of the Listing Rules. Since the date of Listing and up to the date of this announcement, the Company has complied with the code provision under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices which are considered appropriate to the operation and growth of its business.

According to code provision A.2.1 of the CG Code, the role of the chairman and chief executive officer should be separate and should not be performed by the same individual. The role of the chief executive officer of the Company has been performed by Mr. Kan Kin Kwong, who is also the chairman of the Company. Mr. Kan Kin Kwong, as the founder of the Group, has extensive experience and knowledge in the fine jewelry industry and is responsible for managing the overall operations of the Group and planning the business development and strategies. The Directors consider that vesting the role of the chairman of the Board and the chief executive officer in the same individual is beneficial to the management and business development of the Group. The balance of power and authority is ensured by the operations of the Board and the senior management, which comprise experienced and high caliber individuals. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Model code for securities transactions of Directors

The Company adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry of all Directors, the Directors have complied with the Model Code during the year ended 31 December 2018.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Memorandum and Articles of Association or the Laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, sale or redemption of listing securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

Sufficiency of public float

Up to the date of this announcement, the Company has maintained a sufficient public float.

Audit committee

The audit committee (the "**Audit Committee**") comprises three independent non-executive Directors namely, Mr. Fan Chor Ho, Mr. Li Cheuk Wai and Mr. Wong Wai Keung Frederick as at the date of this report. Mr. Wong Wai Keung Frederick is the chairman of the Audit Committee. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018.

Scope of work of the auditor

The figures above in respect of this annual results announcement for the year ended 31 December 2018 have been agreed with the Company's auditor, Deloitte Touche Tohmatsu, certified public accountants ("**Deloitte**"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on this announcement.

Publication of final results announcement and annual report

The results announcement is published on Company's website (www.hkperjew.com.hk) and the Stock Exchange's website (www.hkexnews.hk).

The annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will also be available at the Company's and the Stock Exchange's website and despatched to the Company's shareholders in due course.

By order of the Board
Perfect Group International Holdings Limited
Kan Kin Kwong
Chairman

Hong Kong, 22 March 2019

As at the date of this announcement, the executive Directors are Mr. Kan Kin Kwong, Ms. Shek Mei Chun and Mr. Chung Chi Keung; and the independent non-executive Directors are Mr. Fan Chor Ho, Mr. Li Cheuk Wai and Mr. Wong Wai Keung Frederick.